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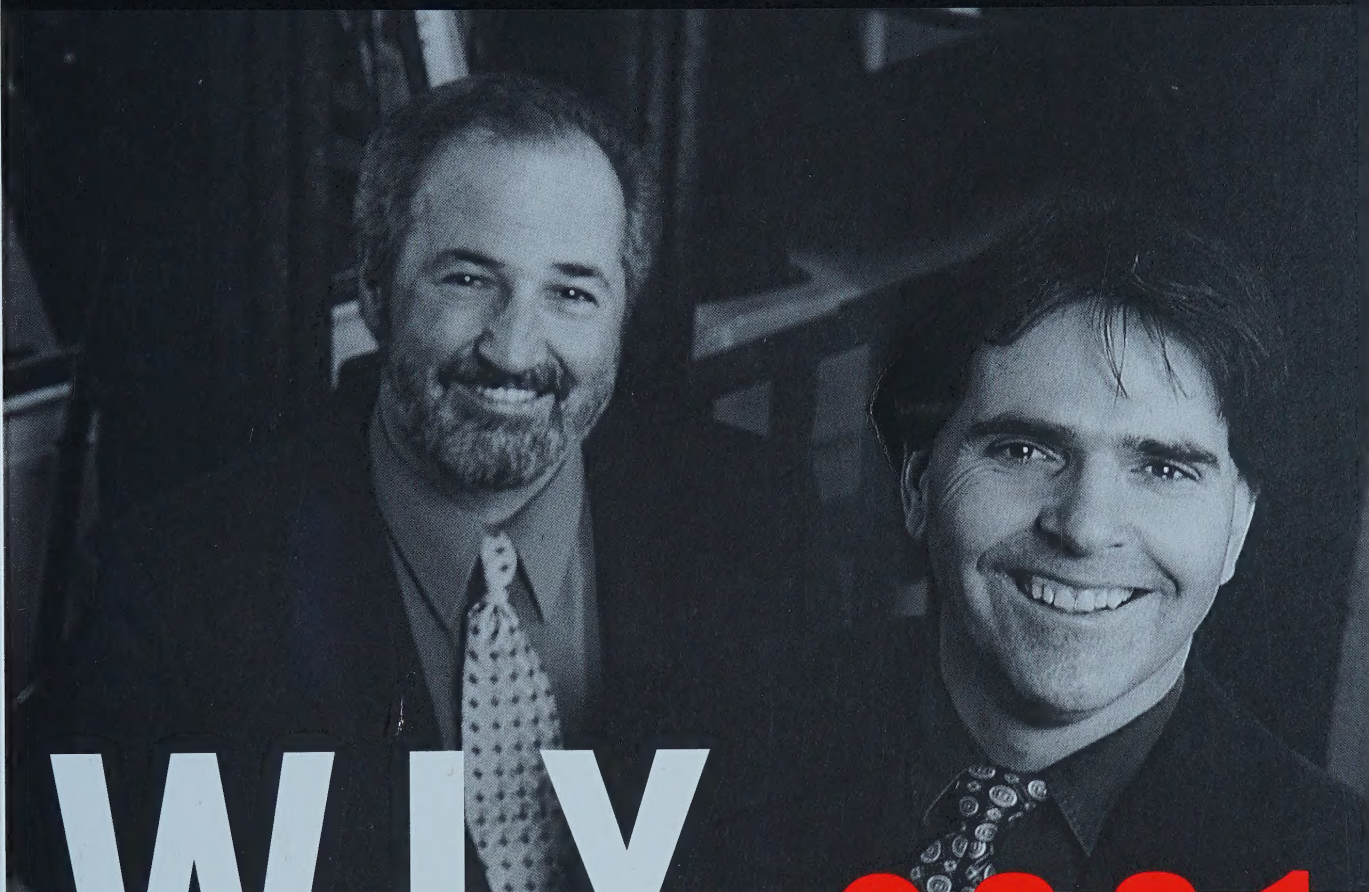
WAJAX



WJX 2001

WAJAX
LIMITED

2001 ANNUAL REPORT

WAJAX LIMITED IS A DISTRIBUTION AND SERVICE COMPANY

Wajax is a diversified company that has three core businesses engaged in the sale and after-sales parts and service support of mobile equipment, industrial components and diesel engines, through a network of 120 branches across Canada and the western United States. Its customer base spans natural resources, construction, manufacturing, industrial processing and utilities.

MOBILE EQUIPMENT

Mobile Equipment is the Company's traditional core business. Its three operating units distribute, customize and service product lines from leading manufacturers through a network of 37 sales and service branches with 1,067 employees.

PRODUCTS: Articulated trucks, Container handlers, Cranes, Crawler tractors, Delimbers, Excavators, Forest feller bunchers, Forest harvesters, Forwarders, Lift trucks, Loader backhoes, Log loaders, Mining products, Paving products, Shovels, Skidders, Trucks, Utility equipment and Wheel loaders.

MARKETS: Construction, Forestry, Intermodal, Manufacturing, Materials handling, Mining, Municipal, Oil and gas, Plant process equipment and Utilities.

OPERATING UNITS:
Wajax Industries (Western Canada)
Wajax Industries (Eastern Canada)
Pacific North Equipment
(Northwestern United States/
Eastern Russia)

49% 2001 REVENUE BY CORE BUSINESS

INDUSTRIAL COMPONENTS

Industrial Components, our next largest business, distributes bearings, power transmission equipment, hydraulics and process and automation technologies. This business has 895 employees operating a network of 69 distribution, repair and service branches located throughout Canada and the western United States.

PRODUCTS: Bearings, Cylinders, Heat exchangers, Hoists, Hoses and fittings, Hydraulics, Mixers, Motors, Pneumatics, Power transmission products, Process pumps, Seals and Valves.

MARKETS: Agriculture, Chemical, Construction, Fishing and marine, Food, Forestry, Industrial processing, Mining, Petrochemical, Pulp and paper, Steel and Transportation.

OPERATING UNITS:
Kinecor Inc. (Canada)
Spencer Industries, Inc.
(Western United States)

32% 2001 REVENUE BY CORE BUSINESS

DIESEL ENGINES

Our Diesel Engines business consists of two operating units which distribute and provide parts and service support for Detroit Diesel engines, Allison transmissions, Kohler generators and other complementary product lines. These divisions, which have 14 branches and 565 employees, also distribute and custom-assemble power generation sets, complete marine propulsion packages and complete power units.

PRODUCTS: Diesel engines, Natural gas engines, Power generators, Power take-offs, Propellers and Transmissions.

MARKETS: Agriculture, Construction, Fishing, Forestry, Industrial, Mining, Oil and gas, Power generation and Transportation.

OPERATING UNITS:
Waterous Detroit Diesel-Allison
(Alberta/Northeastern British Columbia/Yukon/Northwest Territories)
Detroit Diesel-Allison Canada East
(Quebec/Atlantic Canada)

19% 2001 REVENUE BY CORE BUSINESS

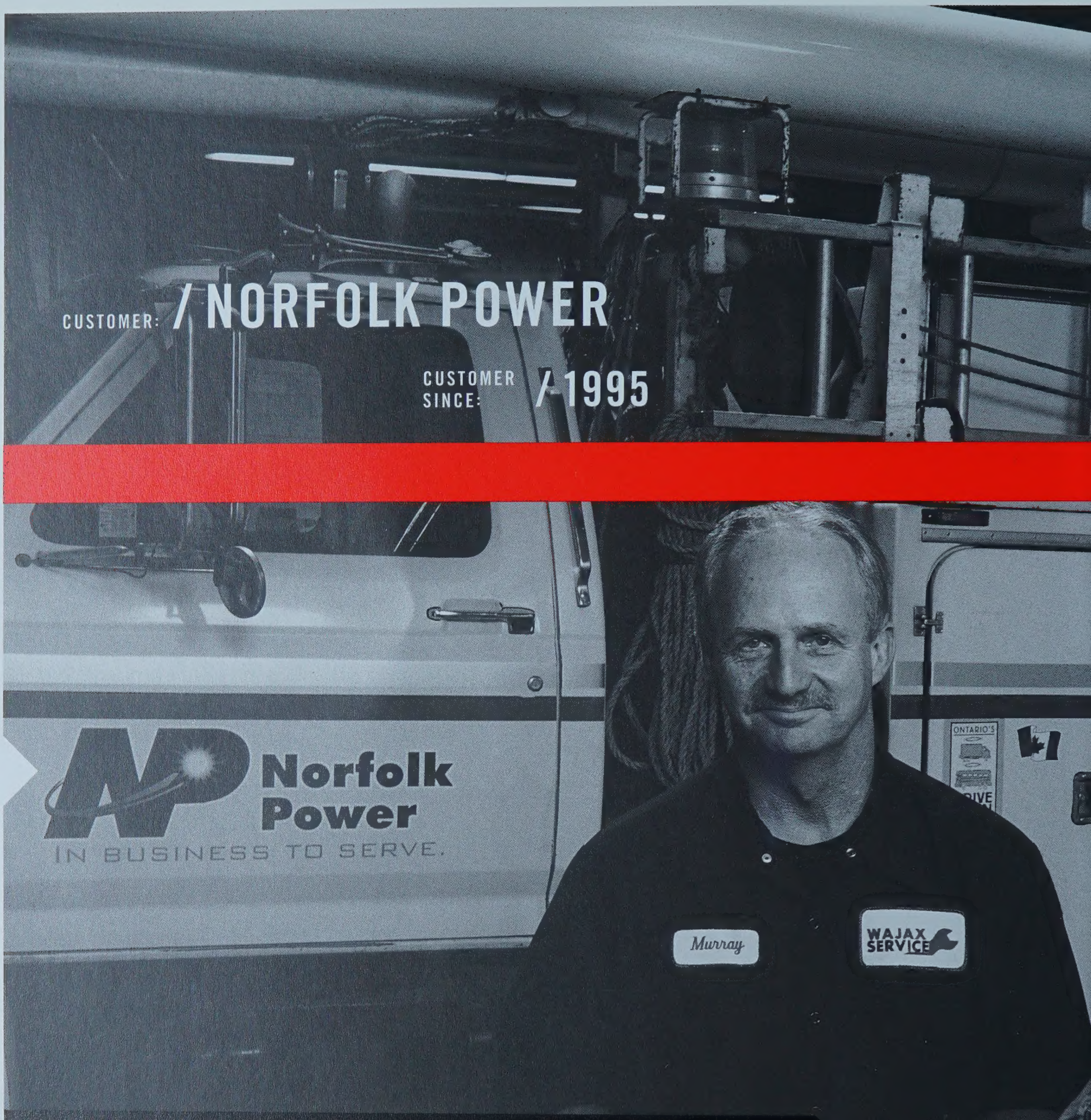
ON THE COVER: **(L TO R) JACK DOYON, V.P. AND GENERAL MANAGER, WAJAX INDUSTRIES, EASTERN CANADA AND ANDRE VERONNEAU, PRESIDENT & CEO, SIMPLEX EQUIPMENT RENTAL. MONTREAL, QC.** Simplex Equipment Rental stakes its reputation on the quality and dependability of its products, making the company the leading lift truck rental house in Quebec. Its fleet of 500 trucks includes 425 Hyster lift trucks supplied by Wajax. Our relationship with Simplex, along with the customer profiles in this annual report, proves that when customers succeed, Wajax succeeds.

WORK IN PROGRESS

Change is underway at Wajax. We're improving the traditional industrial equipment distributor model, creating a new service focus and expanding our service capabilities so we can deliver exceptional value and total solutions to customers. We're doing it through a powerful combination of quality products and highly skilled employees. And by taking better advantage of Wajax's large distribution presence, we're making it easier for customers to do business with us. The pieces all add up to support a performance-driven company committed to growing revenues, earnings and shareholder value. We're proud of what we've accomplished but even more excited about where Wajax is going.

CUSTOMER: / NORFOLK POWER

CUSTOMER SINCE: / 1995



KEEPING CUSTOMERS UP AND RUNNING

CASE STUDY

C.S. / 1

(L TO R) **MURRAY BOUGHNER, FIELD SERVICE, WAJAX INDUSTRIES, DOUG FLETCHER, FOREMAN, NORFOLK POWER** AND **JAKE WALL, GENERAL SERVICE MANAGER, WAJAX INDUSTRIES** / SIMCOE, ON

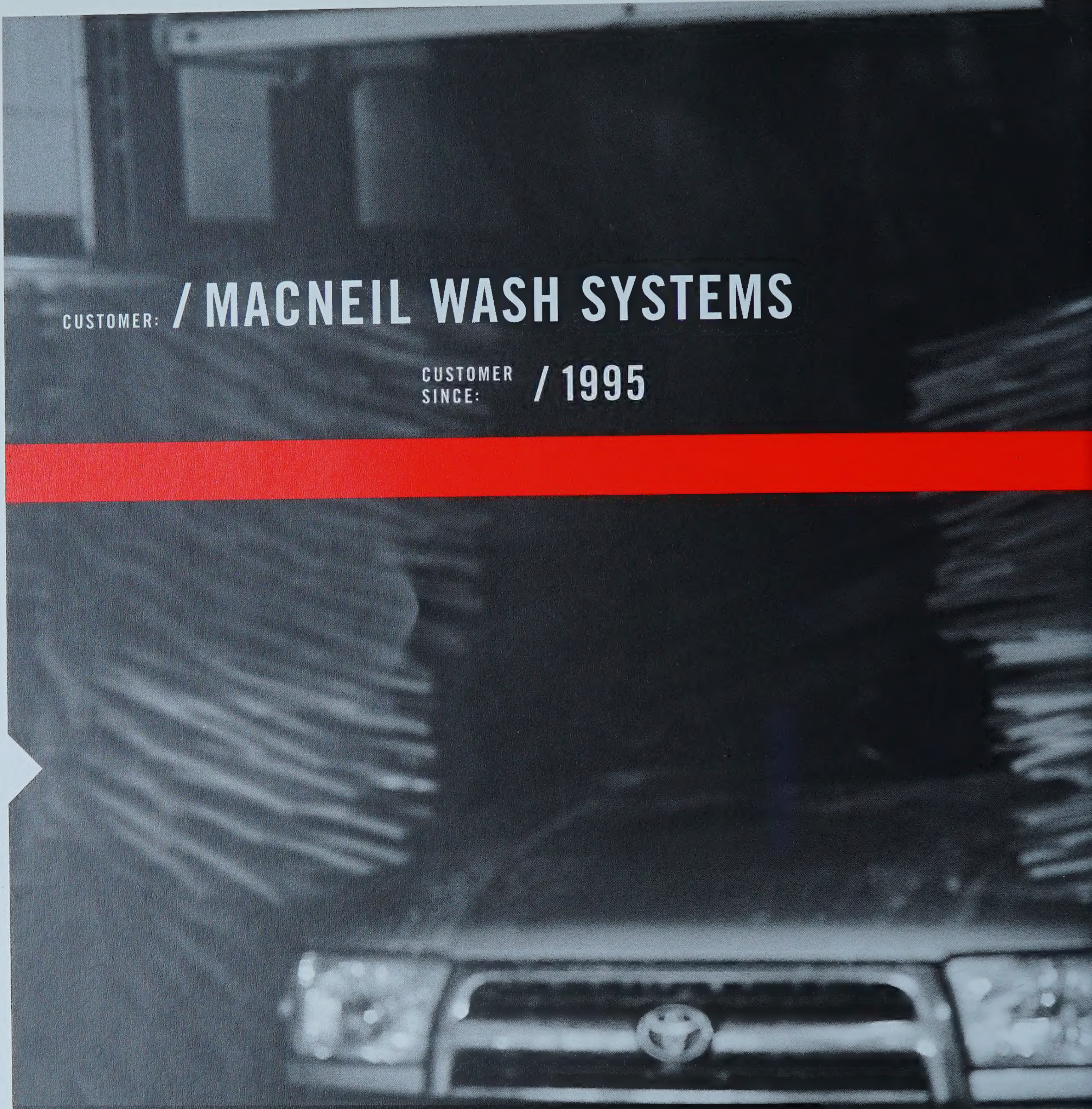
When machines stop working, time and money are wasted. To avoid downtime and keep its fleet of equipment moving, Norfolk Power depends on Wajax. While this public utility based in southwestern Ontario is required by law to complete an annual inspection of equipment, Wajax created a quarterly inspection and maintenance program. "By helping us catch small problems early, Wajax keeps our equipment in tip-top shape," explains Doug Fletcher, Norfolk's foreman. If equipment does break down, Wajax provides 24/7 support. "Their services and reliability are excellent," adds Mr. Fletcher. "Wajax goes the extra mile."

MOBILE EQUIPMENT | INDUSTRIAL COMPONENTS | DIESEL ENGINES

- Articulated trucks
- Container handlers
- Cranes
- Crawler tractors
- Delimbers
- Excavators
- Forest feller bunchers
- Forest harvesters
- Forwarders
- Lift trucks
- Loader backhoes
- Log loaders
- Mining products
- Paving products
- Shovels
- Skidders
- Trucks
- Utility equipment
- Wheel loaders

CUSTOMER: / MACNEIL WASH SYSTEMS

CUSTOMER SINCE: / 1995



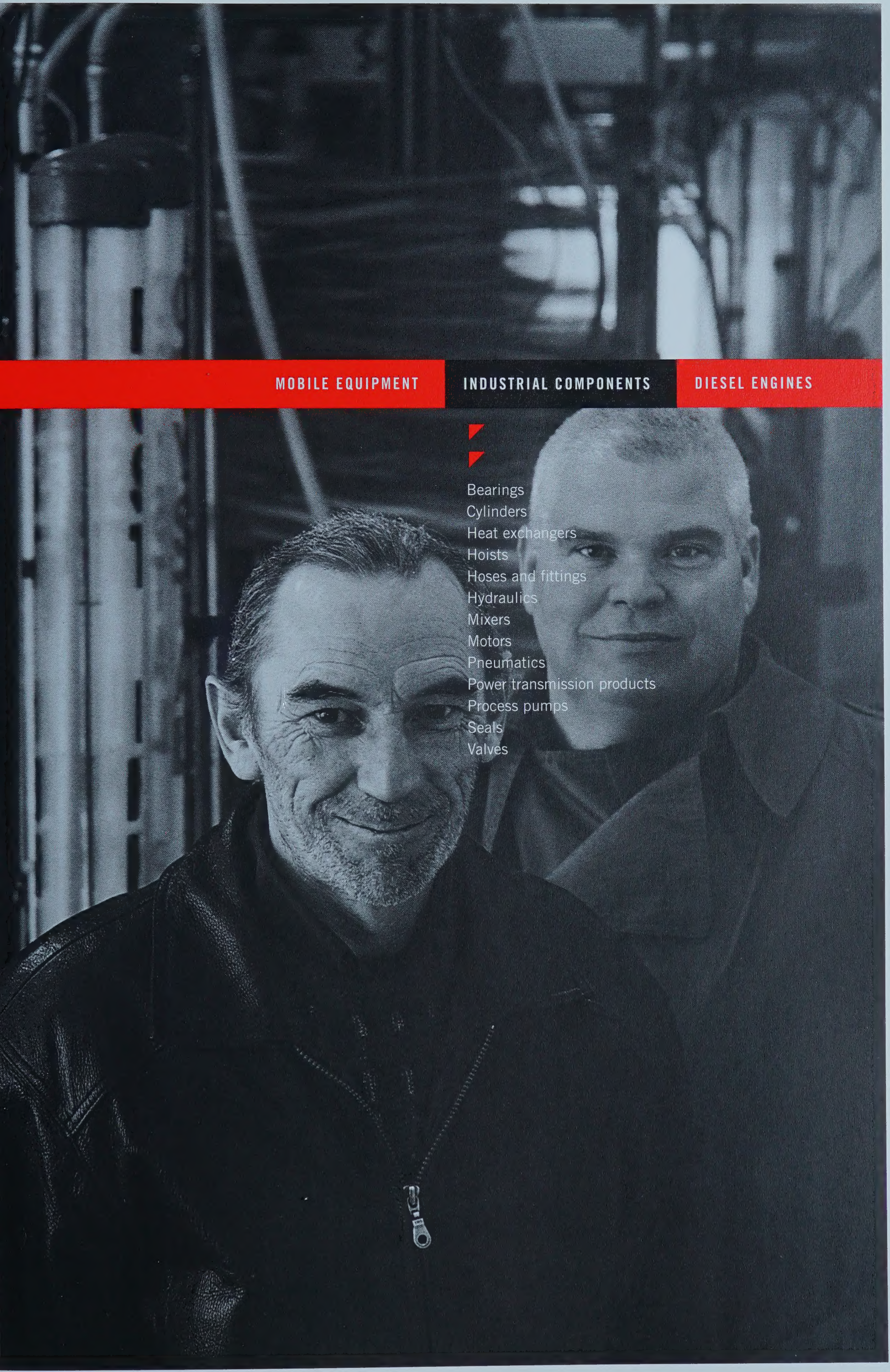
A PARTNER TO COUNT ON

CASE.STUDY.

C.S. / 2

(L TO R) **DAN MACNEIL, PRESIDENT, MACNEIL WASH SYSTEMS** AND **JOHN MCINTYRE, TECHNICAL SALES REPRESENTATIVE, KINECOR** / CONCORD, ON

A well-honed capacity for designing superior car wash equipment has made MacNeil Wash Systems a leader in North America. When the company has to select components or needs engineering advice, MacNeil relies on Kinecor. The right product is on hand when it's needed. But it's the responsiveness of employees that distinguishes Kinecor. "The people at Kinecor will do whatever it takes," says owner Dan MacNeil. "They're on our team."

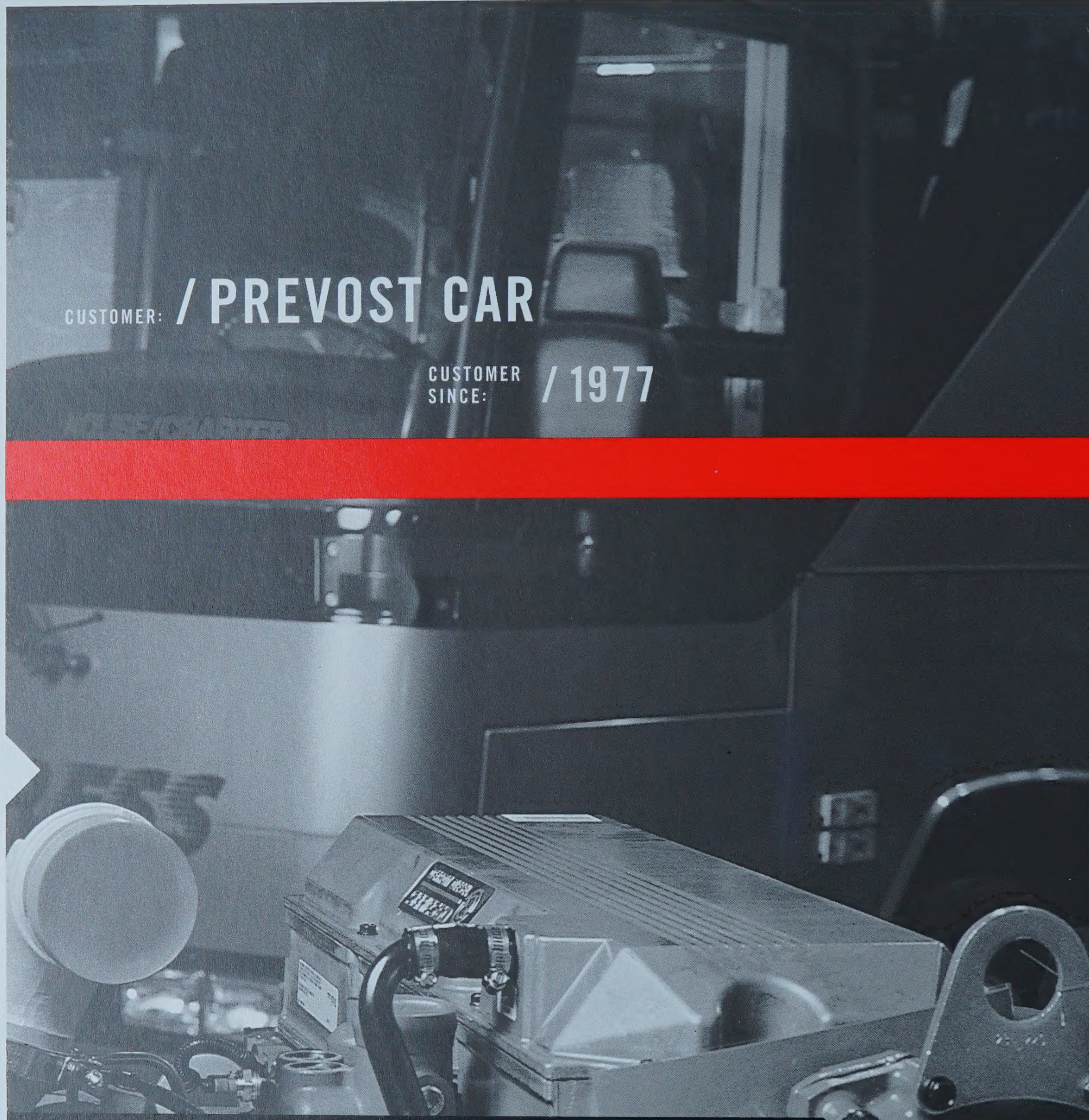


MOBILE EQUIPMENT | INDUSTRIAL COMPONENTS | DIESEL ENGINES

- Bearings
- Cylinders
- Heat exchangers
- Hoists
- Hoses and fittings
- Hydraulics
- Mixers
- Motors
- Pneumatics
- Power transmission products
- Process pumps
- Seals
- Valves

CUSTOMER: / PREVOST CAR

CUSTOMER SINCE: / 1977



WELL-TIMED SERVICE

CASE.STUDY.

C.S. / 3

(L TO R) **LOUIS BLOUIN, REGIONAL MANAGER, DD-ACE** AND **JACQUELIN FORTIER, SENIOR CORPORATE BUYER, PREVOST CAR** / STE-FOY, QC

A few weeks, even a few days, can make a huge difference to a customer's cycle times. Just ask the people at Prevost Car, a leading North American manufacturer of luxury touring coaches and highway bus shells. When Prevost looked to enhance operational efficiency, it turned to Detroit Diesel-Allison Canada East ("DD-ACE") to co-ordinate engine shipments from Michigan, control the freight logistics, install engine componentry and deliver the completed engines to Prevost's facilities in Ste-Claire, Quebec – just in time. "DD-ACE has the resources, quality and support we need," observes Prevost executive, Jacquelin Fortier.

- Diesel engines
- Natural gas engines
- Power generators
- Power take-offs
- Propellers
- Transmissions

PROGRESS REPORT

Financial performance in 2001 was hurt by an economic downturn and tightened demand in many key markets. The one exception to the general slowdown was a vibrant economy in Alberta that contributed to record earnings in the Company's Diesel Engine business unit. Overall, however, year-over-year financial results were disappointing. Consolidated revenues were $1.05 billion for the year, compared to $1.15 billion in 2000. Net earnings before other items were $6.6 million or $0.42 per share compared to $11.8 million or $0.75 per share for 2000.

In the face of uncertain economic conditions, the Company responded aggressively to reduce costs and improve asset management. A salary freeze was announced in October. Staffing levels were scrutinized and workforce reductions were made. As a service company, however, we were mindful of the central role of employees in fulfilling Wajax's service commitments to customers in the current environment and during improving economic times ahead. Job cuts were therefore made discerningly to ensure that service quality would not be compromised and that Wajax would retain its best talent. As a result of these and other expense control initiatives, the Company's cost base will be reduced by more than $7 million. The Company will continue to implement additional cost reduction initiatives in 2002 as market conditions warrant.

Four unprofitable branches in our Seattle based equipment distributor, Pacific North Equipment ("PNE"), were closed in 2001. These branch closures and decisive steps taken to lower inventory levels led to a substantial reduction in losses in this business unit, which is currently operating in one of the weakest economic regions of the United States. It is our intention to continue to improve operational efficiencies in PNE and to dispose of this business when market circumstances permit.

We continued to make steady progress to lower debt levels. In 2001, the Company strengthened its balance sheet, as debt was reduced by $28 million through working capital reductions and prudent capital asset management. As a result the Company's debt to equity ratio fell to 0.86:1 compared to 1.04:1 in 2000. The Company's debt has now been reduced by almost $100 million over the past three years.

Net earnings in 2001 were not as good as we had expected. There were, however, some very positive developments in relation to the Company's longer-term objectives, in particular, the generation of greater revenues in the higher margin aftermarket sectors in both the Mobile Equipment and Diesel Engine groups. Our stated new focus in 2000 had been to transform

Wajax into a service leader and in the past year we moved closer to achieving our objective. In fact, 2001 validated the soundness of our strategies and provided evidence that they are producing results. The Company's emphasis on aftermarket sales and service cushioned the impact of a slowing economy as customers made fewer purchases but required more maintenance of equipment in the field. When economic activity does pick up, we will have in place a stronger company capable of generating growth in shareholder value.

OUR BUSINESSES HAVE MOVED FORWARD

In 2000, three priorities were outlined as critical to the future of Wajax: an emphasis on aftermarket sales and service; the strengthening of product offerings; and the development of a low-cost logistics network. During 2001, we put our plan into action and developed momentum for real, sustainable progress.

Wajax's drive to become an organization dedicated to delivering strong service and support capabilities for all makes and models translated into bottom-line results. In Canada, Mobile Equipment service revenues increased by 13.6% in 2001. To support the division's new service capabilities, a significant number of product support sales representatives were added. And with the introduction of new customer relationship sales and support management tools, the Company is becoming a more effective marketer of its aftermarket service capabilities.

A major plank in Mobile Equipment's total service offering is provided through our association with Wajax Finance which provides financing options to help customers purchase equipment. In 2001, Wajax Finance provided more than $80 million in financing and emerged as a solid contributor to profit.

The two operating units of the Diesel Engines business continued a tradition of delivering strong service and support through highly trained employees. Their efforts were rewarded with increased sales revenues and increased service revenues that culminated in record earnings in 2001.

While the demands associated with integrating the companies comprising the Industrial Components business unit and the installation of the JD Edwards enterprise resource planning ("ERP") computer system slowed Kinecor's drive to strengthen its aftermarket sales and service capability, efforts will accelerate in 2002. Given its well-established reputation for providing sophisticated engineering solutions, Kinecor is leveraging its expertise and developing aggressive capabilities

in repairs and preventive maintenance to forge stronger customer relationships. Kinecor is also taking advantage of its broad geographic reach. With a network of 69 branches across Canada and the United States, Kinecor has the capacity to deliver an extensive range of industrial products and services across our entire customer base.

Customers demand choice and in 2001, Wajax provided an even stronger selection of superior products. Diesel Engines added two new engine models to its product lineup. The new models, the Mercedes-Benz MBE 900 and the MBE 4000 engines, give our customers access to a wider selection of smaller, medium-duty quality engines along with parts, service and training support.

Earlier in the year, Wajax's Mobile Equipment division, already Canada's largest multiple-line distributor, secured exclusive Canada-wide distribution rights for the entire Hitachi construction equipment product line. While the Company will continue to seek opportunities to provide representation for top name manufacturers, these efforts must be balanced with other concerns. Carrying extensive lines of equipment requires huge investments in facilities, people and time. By securing national representation, the Company not only provides customers with the same consistent, quality brands across the country, it also has more flexibility and more opportunity to lower costs and improve efficiency.

Wajax marshalled resources across the Company to improve timely and cost-efficient delivery of products and services to customers. Mobile Equipment adopted a more centralized buying approach in both its western Canada and eastern Canada operations. Diesel Engines is taking better advantage of the formidable strengths of its dealer network. We continued to explore ways in which we can use e-commerce to complement our branch network and one of the results was our decision to join Quadrem, a Web portal for the mining and metal industry. The integration of the four businesses that comprised Industrial Components and the launch of Kinecor in May were extremely important to Wajax's efforts to improve operating and cost efficiency and develop a more focused, low-cost logistics network.

In November Wajax successfully completed the first installation of the JD Edwards ERP computer system in the former Motion and Process Technology business that is now part of Kinecor. The Wajax Integrated Network ("WIN") will facilitate the execution of our strategies by giving the Company better information, more control over its distribution channels and ultimately allowing

more value-added services for our customers. An installation of this magnitude, as ambitious as it is necessary, leaves few corners untouched and it is a tribute to the willingness of our employees to adopt new procedures and new approaches that made it successful. We will be applying our experience from the first implementation to ensure even smoother transitions for the balance of installations at Kinecor.

LOOKING AHEAD

Some hard work is behind us and there is much more ahead. We must continue improving the quality of our operations and our responsiveness to customers. We will be using key performance indicators and value creation models to measure and assess the performance of our business units and branches. This will tell us how well we use the assets we have invested in our businesses and ensure that Wajax's performance, measurement and incentive programs are aligned with the interests of shareholders. We have a clear set of financial objectives and we are committed to enhancing shareholder value through a minimum 13% return on equity over the business cycle. We expect the progress we have made throughout 2001 to continue and even accelerate.

I would like to thank the Board of Directors for its guidance and support during 2001. Tony Petrina retired as a member of the Board. We recognize his contributions during five years of service. Mark Cullen and Ivan Duvar joined the Board in August and we welcome the experience and perspective they bring. I would also like to recognize the efforts and achievements of Wajax employees. It was a difficult year and I am tremendously proud of our employees for not just anticipating change, but embracing it. They deserve the credit for the progress we've made in transforming our company. As we enter 2002, we will continue to face adversity and uncertainty. But of one thing I am certain: Wajax people can and will succeed.

WALTER R. FOX
President and Chief Executive Officer

F.R. / 2001

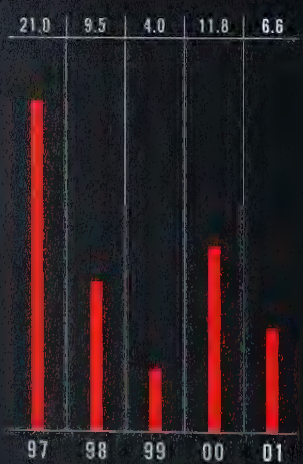
FINANCIAL REVIEW

FINANCIAL HIGHLIGHTS

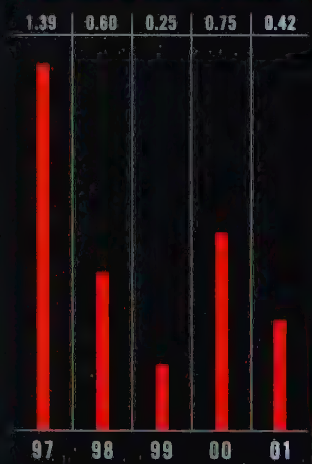
For the years ended December 31 (in thousands of Canadian dollars, except per share data)	2001	2000	1999
Revenue	$ 1,047,564	$ 1,147,489	$ 1,038,367
Net earnings before other items*	6,574	11,763	3,963
Earnings per share before other items*	0.42	0.75	0.25
Net earnings (loss)	8,702	(9,666)	3,963
Earnings (loss) per share	0.55	(0.62)	0.25
Weighted average number of common shares outstanding	15,696,960	15,696,960	15,696,960
Total assets	$ 554,505	$ 623,160	$ 617,506
Funded debt, net of cash	175,804	203,807	239,078
Shareholders' equity	204,826	196,124	205,790

REVENUE

NET EARNINGS BEFORE OTHER ITEMS*
(IN MILLIONS OF CANADIAN DOLLARS)



NET EARNINGS BEFORE OTHER ITEMS PER COMMON SHARE*
(IN MILLIONS OF CANADIAN DOLLARS)



* Other items in 2001 include a $6.1 million pension income amount ($3.5 million after tax) and a $2.4 million charge ($1.4 million after tax) representing a provision for restructuring of the Industrial Components segment and the information technology function. In 2000, other items include a $23.0 million charge to reflect the Company's decision to dispose of PNE and a $2.7 million pension income amount ($1.6 million after tax).

MD&A

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion should be read in conjunction with the Company's Consolidated Financial Statements and accompanying Notes. Unless otherwise indicated, all financial information is in millions of dollars, except per share data.

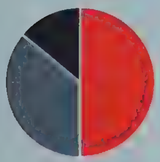
RESULTS OF OPERATIONS

CONSOLIDATED RESULTS		2001		2000
Revenue	$	1,047.6	$	1,147.5
Net earnings before other items	$	6.6	$	11.8
Other items (after tax)	$	2.1	$	(21.4)
Net earnings (loss)	$	8.7	$	(9.7)

EARNINGS PER SHARE		2001		2000
Net earnings before other items	$	0.42	$	0.75
Other items (after tax)	$	0.13	$	(1.37)
Net earnings (loss)	$	0.55	$	(0.62)

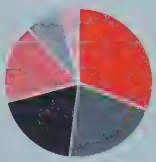
Revenue of $1,047.6 million in 2001 decreased from $1,147.5 million in 2000 and net earnings before other items of $6.6 million, or $0.42 per share in 2001, decreased from the $11.8 million, or $0.75 per share recorded the previous year. The decrease in revenue and net earnings before other items reflects the impact of the general economic downturn on the Company's Mobile Equipment and Industrial Components segments, offset in part by an increase in the performance of the Diesel Engines segment which benefited from a strong Alberta economy. After other items, net earnings of $8.7 million, or $0.55 per share, were recorded in 2001 compared to a net loss of $9.7 million, or $0.62 per share in 2000.

REVENUE BY GEOGRAPHIC REGION



Eastern Canada	50%
Western Canada	36%
Western United States	14%

REVENUE BY MARKET



Industrial & Commercial	31%
Forestry	21%
Construction	19%
Mining/Oil & Gas	17%
Transportation	8%
Utilities	4%

The following factors contributed to the change in year-over-year results from operations before other items:

> The Company's Mobile Equipment segment was negatively impacted by the general economic downturn in Canada and the United States and the relinquishment of a major construction product line in western Canada. This was offset in part by an increase in aftermarket service revenues.

> Earnings in the Industrial Components segment decreased over last year, as a result of lower margins due to strong price competition in certain markets, a slight decrease in sales volume and increased selling and administrative expenses.
> The Diesel Engines segment achieved increases in both revenue and earnings. The Company's Alberta operation, Waterous, had a record year due to increased oil exploration activity in Alberta.
> Management's continued focus on shareholder value creation led to further debt reduction in 2001. Funded debt, net of cash, decreased $28.0 million compared to last year. As a result, the Company's year-end debt to equity ratio of 0.86:1 was significantly improved from last year's ratio of 1.04:1.

Other income items of $3.7 million ($2.1 million after tax or $0.13 per share) were recorded in the fourth quarter of 2001 compared to other expense items of $20.3 million ($21.4 million after tax or $1.37 per share) recorded in the fourth quarter of 2000. The other items include the following:
> A $6.1 million pre-tax pension income amount ($3.5 million after tax) recorded in fiscal 2001 reflects the expected positive settlement impact from revising the benefits payable under the Company-sponsored pension plan from a defined benefit basis to a defined contribution basis. In 2000, the Company recorded a $2.7 million pre-tax pension income amount ($1.6 million after tax) to reflect the purchase of annuities to satisfy obligations to retirees and deferred vested pension plan members, offset in part by the cost of certain benefit enhancements awarded to these members.
> A $2.4 million pre-tax charge ($1.4 million after tax) recorded in the fourth quarter of 2001 representing a provision for restructuring of the Industrial Components segment and the information technology ("IT") function. This provision includes costs for severances as a result of streamlining the Industrial Components management structure, closing a number of under-performing branches and integrating the corporate office and operating units' IT functions.
> A $23.0 million pre-tax charge was taken in 2000 to reflect the Company's decision to dispose of Pacific North Equipment Co. ("PNE"). This amount provides for the write-off of unamortized goodwill, the closure of branches, the writedown of other assets to their estimated net realizable value and other anticipated disposition costs. The Company closed four unprofitable branches in 2001 and continues to pursue the disposition of PNE as the product lines carried by this business unit do not fit the Company's overall growth strategy.

Interest expense declined $2.1 million to $18.2 million from $20.3 million in 2000, as a result of a reduction in the average amount of funded debt outstanding during the year, offset in part by higher costs of borrowing.

Income tax expense for the year ended December 31, 2001 was $9.8 million. Excluding the effect of the $23.0 million PNE charge recorded in 2000, the effective income tax rate increased slightly to 53.0% in 2001 compared to 52.5% in 2000. The increase is a function of expenses not deductible for tax purposes (primarily goodwill amortization), representing a higher percentage of total income on lower earnings in 2001.

"In 2001, we began to see the increased financial benefits from our growing aftermarket sales and service capabilities. Mobile Equipment will continue to benefit from both an expanded customer base and an expanded aftermarket offering to existing customers."

JIM BURNS / Senior Vice President, Mobile Equipment

During the course of 2001 the Company made progress towards achieving a number of strategic objectives. Specific achievements worth noting include the following:

> The Company increased its orientation towards aftermarket parts and service in the Mobile Equipment segment which helped offset the impact of reduced wholegoods revenues. In Canada, service revenues increased 13.6% through aggressive marketing of inspection and maintenance programs for all makes and models of fork lift trucks and construction equipment.

> The Company strengthened its product offerings with the addition of the exclusive Canada-wide distribution rights for the entire Hitachi construction equipment product line.

> The first implementation of the new JD Edwards enterprise resource planning ("ERP") computer system, the Wajax Integrated Network ("WIN"), was successfully completed in the fourth quarter of 2001 in one of the Industrial Components business units. WIN will provide the platform for the execution of many of the Company's strategic initiatives.

> The Company continued to use value creation models to measure the performance of business units and branches. In the long-term, these measures will not only encourage increased profitability but reward prudent asset management within each of the operating units. This was demonstrated during the year by a reduction in the Company's net asset base, excluding funded debt and cash, of almost $19.3 million.

> Cost cutting measures taken by the Company in late 2001 and early 2002 will result in annual savings of more than $7.0 million commencing in 2002. In addition, a Company-wide salary freeze was invoked effective January 1, 2002.

Management is confident that, building on the achievements of 2001, it can fully implement the required strategic initiatives in each business segment in order to generate and sustain an improved return to shareholders.

MOBILE EQUIPMENT

		2001		2000
Gross revenue	$	513.8	$	648.6
Segment earnings before other items	$	14.1	$	21.4
Segment earnings	$	17.2	$	0.0

Revenue decreased 20.8% to $513.8 million in 2001 and earnings before other items decreased by $7.3 million to $14.1 million. The 2001 other items include $3.1 million of the $6.1 million pension income amount, while the 2000 amount comprises the $23.0 million charge related to the decision to dispose of the PNE operation and a $1.6 million pension income amount. After other items, earnings were $17.2 million in 2001 compared to break-even in 2000. The following factors contributed to the results before other items:

> Revenues in western Canada decreased sharply over last year due to the relinquishment of a major construction product line, a significant one-time mining equipment package sale to a large Alberta based customer in 2000, strong price competition and a decline in the forestry market due to the United States imposition of softwood lumber duties. Excluding the impact of the relinquished construction product line, parts and service volumes increased 12.6% and 25.2% respectively. This is a result of the Company's successful implementation of focused

aftermarket parts and service initiatives in the construction, mining, forestry and material handling sectors. Earnings decreased as lower revenues were only partly offset by a larger proportion of higher margin parts and service volumes compared to last year.

> Revenues in eastern Canada decreased in 2001 due to the impact of the general economic slowdown on the material handling, crane and utility, mining and forestry sectors. These declines were offset in part by sales generated from the new Hitachi construction product line and increased aftermarket service revenues. Earnings decreased due to the reduced revenues and increased selling and administration costs. These cost increases related primarily to the opening of a new branch in Milton, Ontario to support the new Hitachi construction product line in southern Ontario, spending on programs to enhance the business unit's aftermarket capabilities and costs related to branch closures.
> Revenues from the PNE operation declined to $74.3 million in 2001 from $106.8 million in 2000 due to the closure of four unprofitable branches and the general decline in the Pacific Northwest marketplace. However, as a result of these branch closures and the other cost reductions, the PNE operating loss was reduced to $0.8 million in 2001 from $1.2 million in 2000.
> Segment earnings increased by $1.5 million due to a reduction in the corporate head office cost allocation to this segment compared to last year.

Despite the challenges faced during 2001, the Mobile Equipment segment put into action a number of strategic initiatives. These initiatives were designed to provide a much greater focus on the higher margin aftermarket parts and service sector, a continuing emphasis on securing national coverage of quality product lines in major industry sectors and a low-cost and highly responsive logistics network. Key initiatives included the following:

> The Company continued to manage and build the highly successful "Elite" field service program. Several additional mechanics were added during the year to bring the total number of mechanics in Ontario, Quebec and the Maritimes to over 100. This program, which includes repair and maintenance of all makes and models of material handling equipment, has been expanded into the forestry equipment sector.
> In Canada, the segment enhanced its aftermarket parts and service capability within the material handling, crane and utility, construction and forestry product lines through various programs that included:
  > Performance and wear inspections,
  > Remanufactured exchange components as a lower cost alternative to new components,
  > Preventative maintenance contracts,
  > Extended warranties, and
  > Competitively-priced quality parts for additional makes and models of equipment.
> The Company became the exclusive distributor of the entire Hitachi construction product line across Canada effective June 1, 2001. This added the Hitachi forestry and construction product lineup to the Company's eastern Canada and Manitoba operations.

"We can't underestimate the importance of the integration of our Industrial Components business and the installation of the ERP system to the success of Wajax. With the success of these two initiatives, Kinecor now has the energy, motion and drive that its name implies. And Wajax has encouraging new prospects for future growth."

WALTER FOX / President and Chief Executive Officer

In the fourth quarter of 2001 the Company took steps to increase the cost effectiveness of its logistics network by implementing targeted cost reduction initiatives that will lower the segment's overhead costs by approximately $2.5 million starting in 2002.

INDUSTRIAL COMPONENTS

		2001		2000
Gross revenue	$	340.3	$	344.9
Segment earnings before other items	$	0.1	$	12.4
Segment (loss) earnings	$	(0.3)	$	13.2

Although revenue decreased slightly from $344.9 million in 2000 to $340.3 million in 2001, segment earnings before other items dropped sharply from $12.4 million in 2000 to $0.1 million in 2001. The 2001 other items include $2.0 million ($0.8 million in 2000) of the $6.1 million pension income amount and a provision of $2.4 million described below. This year-over-year decrease in earnings before other items was a result of several factors:

> Revenue in the bearings business declined slightly compared to last year as lower base metal mining and pulp and paper sector revenues were offset in part by increased revenues from oil and gas activity in Alberta.

> The hydraulics and process pump business in western Canada was able to continue to capitalize on the robust Alberta economy, however these revenue gains were more than offset by reductions in eastern Canada and the United States due to the downturn in the industrial economy experienced throughout the year.

> Segment earnings before other items decreased $12.3 million due to reduced margins as a result of strong competition in all markets, decreased volumes and an $8.2 million increase in selling and administrative expenses. These cost increases related to additional selling and marketing expenses in western Canada, a $0.8 million increase in the corporate head office cost allocation, lower supplier discounts and one-time items that included costs associated with the ERP implementation, an increase in bad debt expense and integration and marketing expenses associated with the new Kinecor organization structure.

The following progress was made during the year in implementing initiatives under the new business model established in 2000:

> The first installation of the ERP computer system within the segment was successfully completed in the fourth quarter of 2001, with the balance of the installations planned to be completed by the end of 2002.

> During 2001 the segment's four distinct operating units were integrated under a common organizational structure and now operate under the name Kinecor. The new organizational structure and common computer platform is designed to allow Kinecor to profitably grow its revenue base in the future by offering high quality products and value-added services through 69 branches across Canada and the western United States. In addition, management will have the tools required to minimize inventory levels across the entire branch network, a key near-term priority for Kinecor.

"We operate in a very tough, competitive market and customer loyalty is a key competitive advantage. Our emphasis on forging long-term relationships with clients makes it possible for us to expand our customer base and grow our business."

PIERRE ASSELIN / President, Detroit Diesel-Allison Canada East

> In an effort to reduce the cost of its delivery system, in the fourth quarter of 2001 this segment implemented cost reductions that will reduce selling and administration expenses going forward into 2002 by more than $4.5 million. Reductions involved removing a layer of management in the United States and eastern Canada operations, the closure and consolidation of several underperforming branches and reductions in IT through integration of the corporate office and operating units' IT functions. A provision of $2.4 million was taken to effect the cost reductions.

DIESEL ENGINES

		2001		2000
Gross revenue	$	197.6	$	157.1
Segment earnings before other items	$	18.8	$	11.8
Segment earnings	$	19.7	$	12.1

Revenue increased 25.8% to $197.6 million in 2001 compared to $157.1 million in 2000. Earnings before other items showed an even greater improvement, increasing 59.3% to $18.8 million in 2001. The 2001 other items include $0.9 million ($0.3 million in 2000) of the $6.1 million pension income amount. The following events affected revenues and earnings before other items:

> The Company's Waterous operation in Alberta had a record year as it continued to capitalize on the robust oil and gas sector resulting in increases in new equipment sales, overhaul activity and parts and service revenues.

> Revenues and earnings at the Company's diesel engine business in Quebec and the Maritimes, Detroit Diesel-Allison Canada East ("DD-ACE"), increased compared to 2000 due to an increase in new engine sales into the marine market, offset in part by reductions in generator set sales.

> Parts and service revenues increased 13.0% over last year due to management's targeted focus on the aftermarket segment. Waterous benefited from expanding its presence in the Fort McMurray oil sands market and DD-ACE increased market share in its trading territory.

The Diesel Engines segment achieved exceptional performance in 2001. The ability to maintain this level of profitability will be partly dependent on favourable oil and gas related activity in Alberta. Management will focus on growing the business in 2002 and beyond through prudent asset management and the following key initiatives:

> Both operating units have been awarded the aftermarket responsibilities for the Mercedes-Benz medium duty engine that is primarily used in small delivery vehicles. Parts and service sales are expected to grow as this line gains greater acceptance in the Canadian market.

> Waterous will be relocating its Calgary facility to a prime location in late 2002. This new custom-built facility with additional service bays will allow Waterous to expand its service offering.

"Our business set a new record for revenues and earnings in 2001. While market conditions in 2002 may not allow another record-breaking performance, our customers can depend on our continuing support to meet their needs. For sustained, long-term profitability, that's what matters."

ED KOBE / **President, Waterous Detroit Diesel-Allison**

LIQUIDITY AND CAPITAL RESOURCES

The Company generated $33.8 million of cash flow before financing activities in 2001, compared to $39.6 million in 2000. The $5.8 million reduction was due to lower cash flows from earnings, an increase in capital asset additions and a lower reduction in working capital requirements compared to last year.

Cash provided by operating activities amounted to $51.5 million in 2001, with $24.0 million of this amount coming from operating earnings. The remaining $27.5 million was generated from changes in non-cash working capital before the impact of other items and changes in foreign currency translation rates. Significant components are as follows:

> Accounts receivable decreased by $29.7 million due to the collection of an installment receivable resulting from a large mining equipment package sold in western Canada in the fourth quarter of last year, decreased sales activity and improved collections. The Company's overall number of days sales outstanding improved four days compared to 2000.

> Inventory decreased by $43.2 million due to inventory returned on relinquishment of the distribution rights to a construction product line in western Canada, the sale in 2001 of customer specific forestry equipment received in late 2000 and overall reductions in the Mobile Equipment and Industrial Components segments that were achieved though management's continued focus on improving working capital. These reductions were offset by an increase in Diesel Engines inventory in western Canada due to increased volumes compared to last year and partial delivery of a large mining equipment package unit scheduled for customer delivery in mid-2002.

> Accounts payable and accrued liabilities decreased $38.2 million during the year due to payments in early 2001 related to the large mining equipment package receivable and forestry equipment referred to above, reductions in supplier financing and lower overall inventory levels compared to last year.

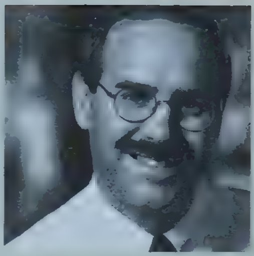
> Income taxes receivable increased $8.0 million due to tax installments made in 2001 exceeding current year taxes payable.

The Company reinvested $17.6 million of the cash provided by operating activities into operations. The most significant investing activity was $18.1 million in capital asset additions that included $10.6 million of ERP implementation costs and $2.1 million associated with land purchased for the new Diesel Engines Calgary branch scheduled to open in late 2002.

Working capital, exclusive of funded debt and cash, was reduced $22.8 million from $264.1 million at December 31, 2000 to $241.3 million at December 31, 2001. Combined with $2.4 million of rental equipment transferred to inventory during the year, this represents a $25.2 million improvement from the previous year. The positive cash flow factors listed above, offset in part by an increase in the year-end foreign exchange rate compared to 2000, account for this achievement.

"There's no question that a difficult economic and industry climate affected our financial performance last year. But Wajax has moved swiftly. We made significant progress in reducing our debt levels and assets employed. Our strategic initiatives are taking hold and we are moving our business forward."

JOHN HAMILTON / Senior Vice President and Chief Financial Officer



As a result of management's focus on reducing overall indebtedness, total funded debt outstanding, net of cash, at the end of 2001 was $175.8 million, a $28.0 million improvement from the previous year. The Company's debt to equity ratio improved from 1.04:1 at December 31, 2000 to 0.86:1 at December 31, 2001.

As at December 31, 2001, the Company had the following credit facilities in place:

> A $20 million Canadian bank demand operating line.
> A $180 million three-year revolving term facility with three Canadian banks, repayable on January 15, 2004.
> Senior notes totalling U.S. $50 million, issued in 1997. These notes have a fixed interest rate of 7.62% and mature in 2007.
> Series I and Series II debentures issued in 1994 and 1996 respectively. The Series I debentures, maturing in 2009, bear a fixed interest rate of 10.69% and had an outstanding principal balance of $16.1 million at December 31, 2001. The Series II debentures, maturing in 2006, bear a fixed interest rate of 8.66% and had an outstanding principal balance of $11.5 million at December 31, 2001.
> The credit facilities described above are secured under a general security agreement.

The bank facilities bear floating interest rates at a margin over Canadian dollar and U.S. dollar bankers' acceptances.

At December 31, 2001 the Company had $106.9 million of unused committed borrowing facilities available, which management believes will adequately meet any near-term borrowing needs.

The Company follows a policy of limiting its exposure to fluctuations in short-term interest rates by maintaining a portion of its bank debt at fixed rates through the use of interest rate hedging instruments. The Company had $65.5 million of interest rate swap agreements outstanding at year-end. These agreements, having staggered maturities from 2002 to 2007, essentially fix the Company's borrowing rate on this amount at 7% plus applicable stamping fees.

No dividends on common shares were paid in 2001 or 2000. The Board of Directors reviews its position on this matter on a quarterly basis.

PENDING ACCOUNTING STANDARDS

CICA HANDBOOK SECTION 3062, GOODWILL AND OTHER INTANGIBLE ASSETS

Effective January 1, 2002, the Company will adopt the new accounting standard for goodwill and other intangible assets, as required by the new Canadian Institute of Chartered Accountants' Handbook Section 3062. Under this new standard, effective January 1, 2002 the Company will no longer amortize goodwill. Goodwill amortization of $3.2 million was recorded in 2001. During 2002, the Company will perform impairment tests of goodwill, in accordance with the new standard which requires an assessment of fair value, to determine whether an impairment

writedown needs to be recognized. Any resulting goodwill impairment will be recognized as a charge to retained earnings before the end of 2002. The Company has not yet determined the impact of the adoption of Handbook Section 3062 on its financial statements.

CICA HANDBOOK SECTION 3870, STOCK-BASED COMPENSATION AND OTHER STOCK-BASED PAYMENTS

Effective January 1, 2002, the Company will adopt the new accounting standard for stock-based compensation and other stock-based payments, as required by the new Canadian Institute of Chartered Accountants' Handbook Section 3870. This new Handbook Section has established standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services after January 1, 2002. The Company does not believe that the adoption of this standard will have a material impact on the Company's financial condition or results of operations based on the Company's current stock-based compensation plan. The Company does not currently have any other stock-based payments.

RISKS AND UNCERTAINTIES

As with most businesses, Wajax is subject to a number of marketplace and industry related risks and uncertainties which could have a material impact on operating results. The Company has effectively minimized many of these risks through diversification of core businesses and through the geographic diversity of its operations. There are, however, a number of risks that deserve particular attention.

COMMODITY PRICES

Over the years the Company has attempted to lessen its dependence on businesses whose revenue base is largely derived from customers that are highly reliant on favourable prices for a particular commodity in the resource sector. With its diverse operations across Canada and the western United States, management is of the opinion that the Company is not significantly exposed to the cyclical effects of most commodity prices. However, one area that can have a significant effect on the Company's revenues and earnings is the petroleum sector of western Canada where all three of the Company's core businesses have operations. Barring a substantial decline in petroleum prices, it is anticipated that the relatively robust oil related activity in Alberta should continue to benefit the Company's operations in 2002.

MANUFACTURER AND PRODUCT ACCESS

The Company seeks to position itself with leading product lines in each of its regional markets and its success is dependent upon its continuing good relations with the manufacturers it represents. In the Mobile Equipment, Diesel Engines and hydraulics and process pumps businesses, manufacturer relationships are generally governed through exclusive distribution agreements. Distribution agreements are for the most part open ended, but are cancellable within a notification period specified in the agreement. The Company enjoys good relationships with its major manufacturers and seeks to develop strong long-term partnerships.

There is currently a trend toward consolidation among industrial equipment and component manufacturers. As this consolidation unfolds it may impact on the products distributed by the Company, in either a favourable or unfavourable manner. The Company endeavours to align itself in long-term relationships with manufacturers that are committed to achieving competitive advantage and long-term market leadership in their targeted market segments. As previously discussed, during 2001 the Company obtained national representation of the entire Hitachi mobile equipment product line across Canada and ceased to have the distribution rights to another competing construction product line in western Canada.

FOREIGN EXCHANGE

The Company's operating results are reported in Canadian dollars. While the majority of the Company's sales are in Canadian dollars, significant portions of its purchases are in U.S. dollars. The Company mitigates exchange rate risk by entering into short-term foreign currency forward contracts to fix the cost of imported inventory where appropriate. In addition, the Company will periodically institute price increases to offset the negative impact of foreign exchange rate increases on imported goods.

The Company also has two U.S. operating divisions. The exchange rate between the Canadian and U.S. dollar can vary significantly from year to year. There is a corresponding positive or negative impact on the Company's statement of earnings solely related to the translation impact year to year. In addition, there is a positive or negative exposure to the Company depending upon its net investment in these operations and the fluctuation of exchange rates. However, the balance sheet impact of exchange fluctuations has been offset by the Company's U.S. dollar borrowings, which have been established as a hedge.

STRATEGIC DIRECTION AND OUTLOOK

Over the last few years the Company has made a number of fundamental changes that management believed were required in order to position the Company to be able to generate an appropriate and sustainable return to its shareholders in the future.

In Mobile Equipment, the strategic focus on growing the higher margin aftermarket segment of the business and obtaining national distribution of quality product lines has led to numerous change initiatives which management believes should positively affect the business in the years ahead. The Company now has national distribution of quality products in most of its key sectors and new aftermarket initiatives have been launched in the forestry, construction and material handling sectors.

In Industrial Components, the organization has been entirely restructured, giving regional managers accountability for all product lines in an effort to expand the geographic representation of these products. As well, the arduous work of configuring the JD Edwards computer system is complete, with the first installation having gone "live" in the fourth quarter of 2001.

The Diesel Engines business has, for some time, been a positive contributor to shareholder value. The recent addition of the aftermarket responsibilities for the Mercedes-Benz medium duty engine and the plan to build a new Calgary facility are initiatives designed to grow the value of this business.

Additionally, the strength of the balance sheet has improved substantially over the past three years. Improvements in working capital management and cash flow from earnings have reduced the Company's funded debt, net of cash, by $98.4 million compared to December 31,1998.

In 2002 management expects continued positive change within the Company. Aftermarket initiatives in Mobile Equipment are to be expanded and additional changes to the product lines represented will be evaluated. The new ERP computer system is to be fully implemented in Industrial Components and the restructured organization is expected to grow volume and reduce costs. As well, it is expected that working capital requirements will continue to be reduced, resulting in increased cash flow to further strengthen the balance sheet.

Management expects that a soft economy in the early part of 2002 will give way to improved economic activity in the second half of the year in most industry sectors. This, combined with the initiatives to grow volume and reduce costs, leads management to expect an improvement in earnings for 2002.

FORWARD-LOOKING STATEMENTS

This Management's Discussion and Analysis contains forward-looking information that involves assumptions and estimates that may not be realized and other risks and uncertainties. The inclusion of this information herein should not be regarded as a representation by the Company or any other person that the anticipated results will be achieved and investors are cautioned not to place undue reliance on such information.

MANAGEMENTS' RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements of Wajax Limited are the responsibility of management and have been prepared in accordance with generally accepted accounting principles. Where appropriate, the information reflects management's judgments and estimates based on the available information. Management is also responsible for all other information in the Annual Report and for ensuring that this information is consistent with the consolidated financial statements.

The Company maintains a system of internal control designed to provide management with reasonable assurance as to the reliability of financial information and the safeguarding of the Company's assets. The Company also maintains an internal audit function, which reviews the system of internal control and its application.

The Audit Committee of the Board of Directors, consisting solely of outside directors, meets regularly during the year with management, internal auditors and the external auditors, to review their respective activities and the discharge of their responsibilities. Both the external and internal auditors have free and independent access to the Audit Committee to discuss the scope of their audits, the adequacy of the system of internal control and the adequacy of financial reporting. The Audit Committee reports its findings to the Board of Directors, which reviews and approves the consolidated financial statements.

The Company's external auditors, KPMG LLP, are responsible for auditing the consolidated financial statements and expressing an opinion thereon.

Walter R. Fox
President and
Chief Executive Officer

John J. Hamilton
Senior Vice President and
Chief Financial Officer

Mississauga, Canada
February 15, 2002

AUDITORS' REPORT

We have audited the consolidated balance sheets of Wajax Limited as at December 31, 2001 and 2000 and the consolidated statements of earnings and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2001 and 2000 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Mississauga, Canada
February 15, 2002

CONSOLIDATED BALANCE SHEETS

As at December 31
(Dollars in thousands)

	2001	2000
ASSETS		
CURRENT		
Cash	$ 4,879	$ 22,579
Accounts receivable	137,134	165,897
Inventories (NOTE 3)	245,253	282,534
Prepaid expenses	3,575	4,266
Income taxes receivable	5,399	–
Future income taxes (NOTE 7)	9,569	9,135
	405,809	484,411
NON-CURRENT		
Rental equipment (NOTE 4)	11,325	14,507
Capital assets (NOTE 5)	64,226	55,137
Goodwill and other assets (NOTE 6)	67,939	66,296
Future income taxes (NOTE 7)	5,206	2,809
	148,696	138,749
	$ 554,505	$ 623,160
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT		
Accounts payable and accrued liabilities	$ 159,623	$ 195,148
Income taxes payable	–	2,622
Current portion of long-term debt	4,235	3,229
	163,858	200,999
NON-CURRENT		
Future income taxes (NOTE 7)	9,373	2,880
Long-term debt (NOTE 8)	176,448	223,157
	185,821	226,037
SHAREHOLDERS' EQUITY		
Share capital (NOTE 10)	102,212	102,212
Retained earnings	102,614	93,912
	204,826	196,124
	$ 554,505	$ 623,160

On behalf of the Board:

Paul D. Sobey
Chairman

Robert P. Dexter
Director

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

For the years ended December 31 (Dollars in thousands, except per share data)	2001	2000
Revenue	$ 1,047,564	$ 1,147,489
Cost of sales	812,442	906,141
Gross profit	235,122	241,348
Selling and administrative expenses	202,190	195,777
Earnings before other items, interest and income taxes	32,932	45,571
Other items **(NOTE 15)**	3,743	(20,252)
Earnings before interest and income taxes	36,675	25,319
Interest expense **(NOTE 8)**	18,160	20,250
Earnings before income taxes	18,515	5,069
Income taxes **(NOTE 7)**	9,813	14,735
Net earnings (loss)	8,702	(9,666)
Retained earnings, beginning of year	93,912	103,578
Retained earnings, end of year	$ 102,614	$ 93,912
Earnings (loss) per share **(NOTE 11)**	$ 0.55	$ (0.62)
Weighted average number of common shares outstanding	15,696,960	15,696,960

CONSOLIDATED STATEMENTS OF CASH FLOW

For the years ended December 31 (Dollars in thousands, except per share data)	2001	2000
OPERATING ACTIVITIES		
Net earnings (loss)	$ 8,702	$ (9,666)
Items not affecting cash flow:		
Amortization		
Rental equipment	3,039	3,931
Capital assets	8,116	7,811
Goodwill and deferred financing costs	4,036	4,501
Future income taxes	3,857	(700)
Other items (NOTE 15)	(3,743)	20,252
Cash flows before changes in non-cash working capital	24,007	26,129
Changes in non-cash working capital:		
Accounts receivable	29,667	(13,561)
Inventories	43,221	11,376
Prepaid expenses	785	(1,005)
Accounts payable and accrued liabilities	(38,232)	26,555
Income taxes receivable	(7,989)	9,944
	27,452	33,309
Cash flows provided by operating activities	51,459	59,438
INVESTING ACTIVITIES		
Rental equipment additions	(3,927)	(5,646)
Rental equipment disposals	3,166	2,030
Capital asset additions	(18,137)	(16,501)
Proceeds on disposal of capital assets	1,279	244
	(17,619)	(19,873)
Cash flows before financing activities	33,840	39,565
FINANCING ACTIVITIES		
Decrease in current bank indebtedness	–	(10,104)
Decrease in notes payable	–	(907)
Decrease in long-term debt	(47,955)	(2,939)
Repayment of debentures	(3,229)	(2,943)
Other	(356)	(93)
	(51,540)	(16,986)
Net change in cash and cash equivalents	(17,700)	22,579
Cash and cash equivalents, beginning of year	22,579	–
Cash and cash equivalents, end of year	$ 4,879	$ 22,579
Cash flow from operations per share	$ 3.28	$ 3.79

Cash flows provided by operating activities includes the following:

	2001	2000
Interest paid	$ 16,222	$ 20,865
Income taxes paid	$ 13,790	$ 5,199
Significant non-cash transaction:		
Rental equipment transferred to inventory	$ 2,362	$ 9,653

NOTES

TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2001 AND 2000 (TABULATED IN THOUSANDS OF DOLLARS)

1. COMPANY PROFILE

The Company's core distribution businesses are engaged in the sale and after-sales parts and service support of mobile equipment, industrial components and diesel engines, through a network of branches in Canada and the United States. The Company is a multi-line distributor and represents a number of leading worldwide manufacturers across its core businesses. Its customer base is diversified, spanning natural resources, construction, transportation, manufacturing, industrial processing and utilities.

2. SIGNIFICANT ACCOUNTING POLICIES

These Consolidated Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies used in these Consolidated Financial Statements are as follows:

PRINCIPLES OF CONSOLIDATION

These Consolidated Financial Statements include the accounts of Wajax Limited and its subsidiary companies, which are all wholly owned.

USE OF ESTIMATES

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

REVENUE RECOGNITION

Revenue is recognized as it is earned in accordance with the following:

> Revenue from the sale of equipment and parts is recorded at the time goods are shipped to customers or when all contracted-upon conditions have been fulfilled.

> Revenue from equipment leases and rentals is recognized over the term of the lease or rental.

> Revenue from the sale or transfer of internally-manufactured or assembled products is recorded when goods are shipped.

> Revenue from the offering of engineering and technical services to customers is recognized upon performance of contracted–upon services with customer.

Provision is made for expected returns, collection losses and warranty costs based on past performance, and for estimated costs to fulfill contractual obligations and other sales-related contingencies.

UNITED STATES OPERATIONS

The Company's U.S. subsidiaries are classified as self-sustaining foreign operations. Revenues and expenses are translated at average exchange rates prevailing during the year. The assets and liabilities of the U.S. operations are translated at the exchange rate in effect at the balance sheet date, and any translation gains or losses are deferred in shareholders' equity. The exchange gains or losses that arise on the translation of the U.S. dollar-denominated debt, which hedges the Company's investment in U.S. operations, are also deferred in shareholders' equity.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include highly liquid investments purchased three months or less from maturity and are stated at cost, which approximates market value.

FOREIGN CURRENCY TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into domestic currency at exchange rates prevailing at the time the transactions occurred. Monetary assets and liabilities denominated in foreign currencies, such as cash, accounts receivable and accounts payable, are translated into domestic currency at the rate of exchange in effect at the balance sheet date. Exchange gains and losses are included in the statement of earnings.

INVENTORIES

Inventories are valued at the lower of cost and estimated net realizable value.

RENTAL EQUIPMENT

Rental equipment assets are recorded at cost and amortized over their estimated useful lives, using the declining balance method at a rate of 20%.

CAPITAL ASSETS AND AMORTIZATION

Capital assets are recorded at cost and amortized over their estimated useful lives based on the following methods and annual rates:

Asset	Method	Rate
Buildings	declining balance	4%–10%
Equipment and vehicles	declining balance	20%–30%
Information systems	straight-line	3–7 years
Furniture and fixtures	declining balance	20%
Leasehold improvements	straight-line over the expected terms of the leases	

INFORMATION SYSTEMS DEVELOPMENT COSTS

Costs directly attributable to the development of information system projects are capitalized and amortized over the estimated life of seven years. Full amortization will begin as the system is implemented more widely in 2002. As at December 31, 2001 these costs were included in capital assets in the amount of $25.0 million.

GOODWILL AND OTHER ASSETS

Goodwill arising from acquisitions is amortized over the expected periods of benefit, up to a maximum of twenty-five years. The unamortized value of goodwill is reconsidered annually in light of the impact of economic and industry trends, internal business developments, and any other related factors on the undiscounted future cash flows of the related investment. If applicable, impairments in value deemed to be of a permanent nature would be recognized.

Deferred financing costs are amortized over the terms of the respective issues. For accounting policies related to the deferred pension asset, refer to Note 14.

STOCK-BASED COMPENSATION PLAN

The Company has a stock-based compensation plan as further described in Note 10. No compensation expense is recognized for this plan when stock or stock options are issued to employees, officers or directors. Any consideration paid by employees, officers or directors on the exercise of stock options is credited to share capital. If stock or stock options are repurchased from employees, officers or directors, the excess of the consideration paid over the carrying amount of the stock or stock option cancelled is charged to retained earnings.

EARNINGS PER SHARE

Effective January 1, 2001, the Company adopted the new Canadian Institute of Chartered Accountants recommendations related to earnings per share on a retroactive basis. Under the new recommendations, the treasury stock method is used to calculate diluted earnings per share and assumes any share option proceeds would be used to purchase common shares at the average market price during the period. The effect of adopting this recommendation has been an increase of four cents in the diluted loss per share reported in the prior period and an increase of two cents in the diluted earnings per share in the current period.

PENSIONS

Commencing January 1, 2000, the Company changed its method of accounting for pensions by adopting the provisions of Section 3461, Employee Future Benefits, of the Handbook of the Canadian Institute of Chartered Accountants. This change was adopted on a prospective basis. The transitional asset is being amortized over the average remaining service period of active employees expected to receive benefits under the benefit plans. The cost of pension and other retirement benefits earned by employees is determined using the projected benefit method pro-rated on service for defined benefit plans with benefits based on final average earnings and the unit credit method for other defined benefit plans and management's best estimate of expected plan investment performance, salary escalation and retirement ages of employees. The discount rate used to determine the accrued benefit obligation was determined by reference to market interest rates at the measurement date on high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments. For purposes of calculating the expected return on plan assets, those assets are valued at fair value. The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the remaining service life of active employees. The cost of the Company-sponsored defined contribution pension plan is charged to earnings during the year.

The Company does not sponsor a post-employment benefit plan other than the pension plans.

COMPARATIVE FINANCIAL STATEMENTS

Certain comparative figures have been reclassified to conform to the 2001 presentation.

3. INVENTORIES

	2001	2000
Equipment	$ 132,439	$ 159,209
Parts	106,240	114,154
Work-in-process	6,574	9,171
Total inventories	$ 245,253	$ 282,534

All amounts shown are net of applicable reserves.

4. RENTAL EQUIPMENT

	Cost	Accumulated Amortization	Net Book Value
December 31, 2001	$ 20,501	$ 9,176	$ 11,325
December 31, 2000	$ 26,631	$ 12,124	$ 14,507

5. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value
Land and buildings	$ 28,967	$ 7,891	$ 21,076
Leasehold improvements	10,405	6,805	3,600
Equipment and vehicles	22,731	16,816	5,915
Information systems	40,375	11,995	28,380
Furniture and fixtures	15,751	10,496	5,255
December 31, 2001	$ 118,229	$ 54,003	$ 64,226
Land and buildings	$ 27,296	$ 7,142	$ 20,154
Leasehold improvements	9,853	5,582	4,271
Equipment and vehicles	22,128	15,913	6,215
Information systems	29,438	10,253	19,185
Furniture and fixtures	15,609	10,297	5,312
December 31, 2000	$ 104,324	$ 49,187	$ 55,137

6. GOODWILL AND OTHER ASSETS

	2001	2000
Goodwill, net of amortization of $16,463 (2000 – $13,201)	$ 60,472	$ 63,734
Deferred financing costs, net of amortization of $3,376 (2000 – $2,714)	1,829	1,995
Deferred pension asset (SEE NOTE 14)	5,638	567
Total goodwill and other assets	$ 67,939	$ 66,296

Goodwill amortization expense for 2001 was $3,182 (2000 – $3,714).

7. INCOME TAXES

Future income taxes are comprised of the following amounts:

	2001	2000
Current future income tax assets	$ 9,569	$ 9,135
Non-current future income tax assets	5,206	2,809
Non-current future income tax liabilities	(9,373)	(2,880)
Net future income tax asset	$ 5,402	$ 9,064

The significant components of the net future income tax asset of $5,402 (2000 – $9,064) are as follows:

	2001	2000
Non-deductible reserves	$ 10,614	$ 12,714
Capital assets	(7,435)	(3,433)
Deductible goodwill	1,399	1,216
Deductible deferred acquisition costs	(406)	(368)
Loss carry forwards	9,547	6,616
Total gross future tax assets	13,719	16,745
Less valuation allowance related to U.S. operations	(8,317)	(7,681)
Net future income tax asset	$ 5,402	$ 9,064

Significant components of the provision for income taxes are as follows:

	2001	2000
Current	$ 6,148	$ 15,465
Future	3,665	(730)
Net income tax expense	$ 9,813	$ 14,735

The provision for income taxes on earnings is comprised as follows:

	2001	2000
Combined statutory income tax rate	39.3%	40.5%
Income tax expense prior to the following:	$ 7,276	$ 2,053
Valuation allowance related to U.S. operations	636	8,829
Non-deductible goodwill	1,103	1,639
Tax on large corporations	674	491
Other	124	1,723
Net income tax expense	$ 9,813	$ 14,735

8. LONG-TERM DEBT

	2001	2000
U.S. $50.0 million senior notes,		
7.62%, maturing December 18, 2007	$ 78,619	$ 73,811
Debentures		
10.69%, Series I, maturing August 24, 2009	16,095	17,319
8.66%, Series II, maturing June 13, 2006	11,493	13,498
Revolving three-year term bank facility,		
repayable January 15, 2004		
Canadian dollar loan	71,500	65,500
U.S. dollar loan	1,593	56,258
Mortgage payable, 7.25%, due June 30, 2003	1,383	–
	180,683	226,386
Less current portion	4,235	3,229
Total long-term debt	$ 176,448	$ 223,157

The U.S. $50.0 million senior notes, the Series I and Series II debentures, and the revolving term bank facility are secured under a general security agreement. Interest on the U.S. $50.0 million senior notes is payable semi-annually and the principal is repayable on maturity in 2007. Blended principal and interest payments on the Series I and Series II debentures are payable semi-annually. Borrowings under the $180 million revolving term facility are at floating rates of interest at a margin over Canadian dollar and U.S. dollar bankers' acceptance yields. The term facility is repayable January 15, 2004. The mortgage is repayable in two payments of principal and interest totalling $1,533 on June 30, 2002 and June 30, 2003. In accordance with the Company's policy on translation of U.S. operations, the U.S. $50.0 million senior notes and the U.S. dollar revolving term bank facility have been designated as a hedge of the investment in U.S. operations (Note 2).

Interest on long-term debt amounted to $18.1 million (2000 – $20.3 million).

Annual principal repayments for the next five years as at December 31, 2001 are:

2002	$ 4,235
2003	4,579
2004	77,360
2005	4,683
2006	3,567

9. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and temporary investments, accounts receivable, income taxes receivable, accounts payable and accrued liabilities, long-term debt, interest rate swaps and foreign currency forward contracts. The carrying values reported in the balance sheet for financial instruments are not significantly different from their fair values, except as noted below. The Company invests only in high-quality cash equivalents and short-term investments.

The Company employs interest rate swaps and foreign currency forward contracts to manage exposure to fluctuations in interest rates and foreign exchange rates.

INTEREST RISK

The Company is exposed to interest rate risk arising from fluctuations in interest rates on its temporary investments, current bank indebtedness and long-term debt.

The Company has entered into interest rate swap agreements to manage its interest rate exposure on floating rate debt. As at December 31, 2001 the Company had $65.5 million (2000 – $65.5 million) of floating rate bank debt swapped against fixed rate debt with a weighted average interest rate of 7.0% (2000 – 7.0%), plus applicable stamping fees. These agreements expire between 2002 and 2007. The differential the Company would pay to hypothetically terminate or exchange the swap agreements in the prevailing market conditions is estimated at $6.7 million.

FOREIGN CURRENCY FORWARD CONTRACTS

The Company enters into short-term foreign currency forward contracts to fix the cost of inbound inventory as part of its normal course of business. There is no material difference between the face value of the foreign currency forward contracts and their value as calculated by reference to prevailing currency exchange rates.

CREDIT RISK

The Company is exposed to credit risk with respect to its accounts receivable. However, this is minimized by the Company's large customer base which covers most business sectors across Canada and the western United States. The Company follows a program of credit evaluations of customers and limits the amount of credit extended when deemed necessary. The Company maintains provisions for possible credit losses, and any such losses to date have been within management's expectations.

10. SHARE CAPITAL

ISSUED AND FULLY PAID COMMON SHARES:

	Number of Shares		Amount
December 31, 2001 and December 31, 2000	15,696,960	$	102,212

The Company is authorized to issue an unlimited number of preferred shares without nominal or par value and issuable in series, and an unlimited number of common shares without nominal or par value.

STOCK OPTION PLAN

The Company has a stock-based compensation plan in place to grant options to employees and officers to purchase common shares of the Company. The aggregate number of common share options that may be issued by the Company is limited to 1,400,000 by the stock option plan. All options expire within ten years and, unless otherwise determined by the Board of Directors, 20% of the options issued prior to 2001 vest at the end of each of the first five years following the date on which the options were granted. The vesting of all options issued in 2001 is fully contingent on the Company meeting performance targets specified by the Board of Directors.

The following table summarizes the status of the stock option plan as at December 31, 2001 and 2000 and the changes during the years then ended:

	2001		2000	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding, beginning of year	574,400	$ 11.07	594,067	$ 11.54
Granted	416,000	3.80	22,000	8.50
Exercised	–	–	–	–
Forfeited and expired	(150,400)	8.93	(41,667)	16.36
Outstanding, end of year	840,000	$ 7.85	574,400	$ 11.07

The following table summarizes information about stock options outstanding at December 31, 2001:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number	Weighted Average Remaining Life (years)	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
$3.80	416,000	9.01	$ 3.80	–	$ –
$6.70 to $9.25	222,000	7.22	8.24	103,734	8.40
$11.50 to $17.25	202,000	5.95	15.77	142,000	15.14
Outstanding, end of year	840,000	7.80	$ 7.85	245,734	$ 12.30

11. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings (loss) per share:

	2001	2000
Numerator for basic and diluted earnings per share – net income	$ 8,702	$ (9,666)
Denominator for basic earnings per share – weighted average shares	15,697	15,697
Denominator for diluted earnings per share:		
– weighted average shares	15,697	15,697
– effect of dilutive employee stock options	101	–
Denominator for diluted earnings per share	15,798	15,697
Basic earnings (loss) per share	$ 0.55	$ (0.62)
Diluted earnings (loss) per share	$ 0.55	$ (0.62)

Excluded from the above calculations are 424,000 (2000 – 574,400) outstanding stock options with an exercise price range of $6.70–$17.25 as they are currently anti-dilutive. These securities could potentially dilute earnings per share in future periods.

12. SEGMENTED INFORMATION

The Company operates through a network of branches in Canada and the United States. The Company's three core businesses are: i) the distribution, modification and servicing of mobile equipment; ii) the distribution, servicing and assembly of industrial components; and iii) the distribution and servicing of diesel engines.

INDUSTRY SEGMENTS

2001	Mobile Equipment	Industrial Components	Diesel Engines	Segment Eliminations	Total
GROSS REVENUE	$ 513,778	$ 340,284	$ 197,598	$ (4,096)	$ 1,047,564
Segment earnings before other items, interest and income taxes	$ 14,076	$ 103	$ 18,753	$ –	$ 32,932
Other items	3,162	(359)	940	–	3,743
Segment (loss) earnings before interest and income taxes	$ 17,238	$ (256)	$ 19,693	$ –	$ 36,675
SEGMENT ASSETS	$ 259,467	$ 161,264	$ 75,766	$ –	$ 496,497
Corporate and other assets					58,008
Total assets					$ 554,505
ASSET ADDITIONS					
Rental equipment	$ 3,927	$ –	$ –	$ –	$ 3,927
Capital assets	1,792	2,215	2,979	11,151	18,137
	$ 5,719	$ 2,215	$ 2,979	$ 11,151	$ 22,064
ASSET AMORTIZATION					
Rental equipment	$ 2,848	$ –	$ 191	$ –	$ 3,039
Capital assets	2,595	3,538	1,362	621	8,116
Goodwill and other	1,112	1,889	76	959	4,036
	$ 6,555	$ 5,427	$ 1,629	$ 1,580	$ 15,191

2000	Mobile Equipment	Industrial Components	Diesel Engines	Segment Eliminations	Total
GROSS REVENUE	$ 648,597	$ 344,928	$ 157,071	$ (3,107)	$ 1,147,489
Segment earnings before other items, interest and income taxes	$ 21,363	$ 12,404	$ 11,804	$ –	$ 45,571
Other items	(21,430)	842	336	–	(20,252)
Segment (loss) earnings before interest and income taxes	$ (67)	$ 13,246	$ 12,140	$ –	$ 25,319
SEGMENT ASSETS	$ 328,592	$ 172,196	$ 66,318	$ –	$ 567,106
Corporate and other assets					56,054
Total assets					$ 623,160
ASSET ADDITIONS					
Rental equipment	$ 5,251	$ –	$ 222	$ –	$ 5,473
Capital assets	2,454	2,842	650	10,569	16,515
	$ 7,705	$ 2,842	$ 872	$ 10,569	$ 21,988
ASSET AMORTIZATION					
Rental equipment	$ 3,736	$ –	$ 195	$ –	$ 3,931
Capital assets	3,003	3,040	1,322	446	7,811
Goodwill and other	1,665	1,868	76	892	4,501
	$ 8,384	$ 4,908	$ 1,593	$ 1,338	$ 16,223

Interest expense and income taxes are not allocated to business segments. All other corporate expenses are allocated based on asset levels. Segment assets do not include assets associated with the corporate office, financing or income taxes. Additions to corporate assets, and amortization of these assets, are included in segment eliminations.

GEOGRAPHIC SEGMENTS

2001	Canada	United States	Total
Gross revenue	$ 899,549	$ 148,015	$ 1,047,564
Location of assets:			
Rental equipment	$ 11,325	$ –	$ 11,325
Capital assets	59,715	4,511	64,226
Goodwill	51,338	9,134	60,472

2000	Canada	United States	Total
Gross revenue	$ 961,868	$ 185,621	$ 1,147,489
Location of assets:			
Rental equipment	$ 11,866	$ 2,641	$ 14,507
Capital assets	49,852	5,285	55,137
Goodwill	54,046	9,688	63,734

13. COMMITMENTS AND CONTINGENCIES

OPERATING LEASES

Total long-term lease commitments amount to $64.4 million over the remaining life of the leases. The annual payments required under the lease agreements over the next five years are as follows:

2002	$	16,212
2003		12,811
2004		10,197
2005		8,208
2006		5,262

GUARANTEED RESIDUAL VALUE AND BUY-BACK CONTRACTS

The Company has guaranteed the resale value of equipment sold ("guaranteed residual value contracts") or agreed to buy back equipment from customers at the option of the customer for a specified price at future dates ("buy-back contracts"). These contracts are subject to certain conditions being met by the customer. As at December 31, 2001, the Company had guaranteed $3.0 million (2000 – $7.3 million) for guaranteed residual value contracts and provided the option to customers for buy-back contracts in the amount of $0.8 million (2000 – $5.3 million), with commitments arising between 2002 and 2010. The commitments made by the Company in these contracts reflect the estimated future value of the equipment, based on the judgement and experience of management. Management does not anticipate that any material financial exposure is likely to result from such commitments.

CONTINGENCIES

In the ordinary course of business, the Company may be contingently liable for litigation in varying amounts and for which provisions have been made in these Consolidated Financial Statements as appropriate. It is not possible to determine the amounts that may ultimately be assessed against the Company, but management believes that any such amounts would not have a material impact on the business or financial position of the Company.

14. EMPLOYEES' PENSION PLANS

The Company sponsors three pension plans: the Employees' Plan, which was converted to a defined contribution plan ("DC") effective January 1, 2001 primarily for all members not covered under a collective bargaining agreement, the Executive Plan and the Supplemental Executive Retirement Plan, which are both defined benefit plans. The Company is also converting part of the remaining defined benefit membership of the Employees' Plan to defined contribution effective January 1, 2002. The curtailment impact of the first DC conversion is recognized in the year 2000 net benefit plan income and the latter DC conversion is recognized in the year 2001 net benefit plan income. In 2001, the Company transferred funds representing members' accrued benefit obligations under the first DC conversion into individual members' DC accounts. The settlement impact of this transaction is recognized in the year 2001 net benefit plan income.

The Company uses actuarial reports prepared by independent actuaries for funding and accounting purposes. The following significant actuarial assumptions were employed to determine the periodic pension income and the accrued benefit obligations:

	2001	2000
Expected long-term rate of return on plan assets	6.2%	7.25%
Discount rate	6.5%	7.0%
Rate of compensation increase	4.0%	4.0%

The Company's net benefit plan income is as follows:

	2001	2000
Current service cost – defined benefit plans	$ 400	$ 1,175
Current service cost – defined contribution plans	2,802	99
Interest cost	2,379	3,347
Expected return on plan assets	(2,836)	(4,533)
Amortization of net transitional balance	(1,240)	(1,736)
DC conversion – curtailment impact	30	437
Transfer to members' accounts – settlement impact	(6,053)	–
Annuity purchase – settlement impact	–	(3,185)
Net benefit plan income	$ (4,518)	$ (4,396)

Information about the Company's defined benefit pension plans, in aggregate, is as follows:

ACCRUED BENEFIT OBLIGATION

	2001	2000
Accrued benefit obligation, beginning of year	$ 42,698	$ 46,034
Current service cost	400	1,175
Participant contributions	205	1,932
Interest cost	2,379	3,347
Remeasurement prior to settlement	(2,772)	10,123
Transfer to plan members	(31,366)	–
Partial plan settlement – annuity purchase	–	(17,723)
Plan amendment – retiree benefit enhancement	–	500
Benefits paid	(2,108)	(2,690)
Accrued benefit obligation, end of year	$ 9,436	$ 42,698

PLAN ASSETS

	2001	2000
Fair value of plan assets, beginning of year	$ 51,358	$ 62,856
Actual return on plan assets	1,223	6,893
Participant contributions	205	1,932
Employer contributions	(2,749)	90
Transfer to plan members	(31,366)	–
Annuity purchase	–	(17,723)
Benefits paid	(2,108)	(2,690)
Fair value of plan assets, end of year	$ 16,563	$ 51,358
Plan assets, end of year	$ 16,563	$ 51,358
Accrued benefit obligation, end of year	(9,436)	(42,698)
Funded status – plan surplus	7,127	8,660
Unamortized net actuarial losses	559	5,128
Unamortized past service costs	27	63
Unamortized net transitional asset	(2,075)	(13,284)
Deferred pension asset	$ 5,638	$ 567

Included in the aforementioned accrued benefit obligations and fair value of plan assets at year-end are the following amounts in respect of the Supplemental Executive Retirement Plan that is not funded:

	2001	2000
Accrued benefit obligation	$ 1,504	$ 1,234
Fair value of plan assets	–	–
Fund status – plan deficit	$ 1,504	$ 1,234

15. OTHER ITEMS

The Company recorded a $6.1 million pre-tax pension income amount ($3.5 million after tax) which reflects the expected positive settlement impact from revising the benefits payable under the Company-sponsored pension plan from a defined benefit basis to a defined contribution basis. In addition, the Company recorded a $2.4 million pre-tax charge ($1.4 million after tax) in the fourth quarter of 2001 representing a provision for restructuring of the Industrial Components segment and the information technology function related to the corporate office and Industrial Components. This provision includes costs for severances as a result of streamlining the management structure, closing a number of under-performing branches and integrating the IT functions of the corporate office with the operating units.

In 2000, the Company recorded a $23.0 million charge to reflect the Company's decision to dispose of its investment in Pacific North Equipment Co. ("PNE"). This amount was comprised of $12.3 million for the write-off of all unamortized goodwill and $10.7 million representing the closure of PNE's Alaska operations, the writedown of other assets to their estimated net realizable value and other anticipated disposition costs. The Company had decided to dispose of this business unit as the product lines carried by PNE do not fit into the Company's overall growth strategy and due to the less than satisfactory operating performance. The Company did not record any tax benefit related to this charge which was reflected in the valuation allowance in Note 7. In addition, the Company recorded pension income of $2.7 million ($1.6 million net of tax) resulting from the positive settlement impact of purchasing annuities to satisfy the Company's obligations to retirees and deferred vested pension plan members, offset in part by the cost of certain benefit enhancements awarded to these members.

SUMMARY OF QUARTERLY DATA – UNAUDITED

(Dollars in millions, except per share data)	2001				2000			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenue	$271.4	$277.2	$250.4	$248.6	$264.9	$301.9	$283.8	$296.9
Net earnings	1.3	3.0	1.7	2.8	0.8	3.2	3.3	(17.0)
Earnings (loss) per share	$ 0.08	$ 0.19	$ 0.11	$ 0.17	$ 0.05	$ 0.21	$ 0.21	$ (1.09)

ELEVEN-YEAR SUMMARY

For the years ended December 31
(Dollars in millions, except per share data)

	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991
OPERATING RESULTS											
Revenue	$ 1,047.6	$ 1,147.5	$ 1,038.4	$ 992.2	$ 947.4	$ 675.1	$ 547.6	$ 404.5	$ 287.4	$ 247.9	$ 258.3
Net earnings (loss)	8.7	(9.7)	4.0	9.5	21.0	17.0	12.0	5.1	1.1	0.6	1.2
Interest expense	18.2	20.3	20.2	17.9	13.4	9.7	8.2	5.7	5.6	5.6	6.7
Cash flows before changes in non-cash working capital	24.0	28.2	28.3	20.2	32.5	27.6	21.8	14.0	7.1	7.7	1.6
Capital expenditures – net	16.9	16.3	12.7	10.7	4.8	4.4	1.2	1.3	2.9	0.9	1.4
Rental equipment expenditures – net	0.8	3.3	2.8	13.6	9.0	5.6	6.7	2.5	3.1	(3.9)	–
Amortization	15.2	16.2	21.0	16.9	13.3	10.0	8.6	5.3	5.0	6.1	2.8
PER COMMON SHARE											
Net earnings (loss)	$ 0.55	$ (0.62)	$ 0.25	$ 0.60	$ 1.39	$ 1.22	$ 1.02	$ 0.46	$ 0.13	$ 0.07	$ 0.14
Cash flows before changes in non-cash working capital	1.53	1.80	1.81	1.29	2.15	1.98	1.86	1.26	0.83	0.89	0.19
Dividends paid	–	–	–	–	–	–	–	–	–	–	0.28
Equity	13.05	12.49	13.11	12.86	12.27	10.32	9.12	8.04	7.60	7.53	7.46
FINANCIAL POSITION											
Working capital	$ 241.6	$ 264.6	$ 278.9	$ 292.0	$ 236.8	$ 188.4	$ 134.0	$ 108.0	$ 57.4	$ 63.4	$ 70.3
Rental equipment	11.3	14.5	28.2	33.7	23.5	19.3	14.1	9.8	8.5	7.1	–
Capital assets – net	64.2	55.1	46.5	42.7	34.1	31.6	27.8	24.9	26.0	20.1	21.7
Long-term debt	176.4	223.2	226.0	250.9	167.8	144.5	68.6	60.8	32.1	34.1	37.8
Shareholders' equity	204.8	196.1	205.8	201.8	191.7	145.1	124.3	90.8	85.7	64.6	64.0
Total assets	554.5	623.2	617.5	644.4	527.3	405.0	303.2	241.1	220.3	163.9	164.0
OTHER INFORMATION											
Number of employees	2,601	2,804	2,692	2,717	2,341	1,975	1,621	1,419	1,154	1,050	1,114
Common shares outstanding (000's)	15,697	15,697	15,697	15,697	15,632	14,061	13,631	11,287	8,628	8,573	8,573
Price range of common shares											
High	$ 6.00	$ 5.75	$ 9.00	$ 22.00	$ 19.75	$ 15.00	$ 11.20	$ 9.88	$ 9.75	$ 7.75	$ 8.75
Low	4.00	3.25	4.60	7.65	13.50	10.63	7.88	7.75	5.50	5.50	6.00

CORPORATE OFFICERS AND BOARD OF DIRECTORS

CORPORATE OFFICERS

Paul D. Sobey
Chairman

Walter R. Fox
President and
Chief Executive Officer

John J. Hamilton
Senior Vice President and
Chief Financial Officer

James M. Burns
Senior Vice President
Mobile Equipment

Douglas F. Ball
Senior Vice President
Human Resources

Linda Corbett
Treasurer

Christopher J. Desjardins
General Counsel and Secretary

DIRECTORS

Paul D. Sobey[3]
Chairman
Wajax Limited

President and
Chief Executive Officer
Empire Company Limited

Mark L. Cullen[1]
Corporate Director

Robert P. Dexter, Q.C.[1]
Chairman and
Chief Executive Officer
Maritime Travel Inc.

Ivan E.H. Duvar[2, 3]
Corporate Director

Walter R. Fox[2]
President and
Chief Executive Officer
Wajax Limited

Paul E. Gagné[1, 2]
Consultant
Kruger Inc.

Valerie A.A. Nielsen, P.Geoph[1]
Corporate Director

Donald R. Sobey[2]
Chairman
Empire Company Limited

Frank C. Sobey[1]
Chairman
Atlantic Shopping Centres Limited

Donald J. Taylor[1, 3]
Chairman
Enbridge Inc.

David L. Torrey[2, 3]
Corporate Director

HONOURARY DIRECTORS

H. Gordon MacNeill

Peter Paul Saunders

1 Member of the Audit Committee
2 Member of the Pension Committee
3 Member of the Human Resources and Corporate Governance Committee

CORPORATE INFORMATION

OPERATING UNITS

MOBILE EQUIPMENT

Wajax Industries, Western Canada
16745 – 111th Avenue
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Wajax Industries, Eastern Canada
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Jack Doyon, Vice President

Pacific North Equipment
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Kent, Washington 98032
James Burns, President

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Walter Fox, President

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Nisku, Alberta
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Barry Sutherby, Director,
Operations – Western Region

Central Region
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Concord, Ontario
L4K 4R8
Brian Brennan, Vice President,
Operations – Central Region

Eastern Region
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St. Laurent, Quebec
H4N 1S2
Andre Bertrand, Director,
Operations – Eastern Region

Spencer Industries, Inc.
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Building D
Kent, Washington 98032
Jerry Randecker, Vice President,
Operations – U.S.

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Edmonton, Alberta
T6E 0A8
Ed Kobe, President

Detroit Diesel-Allison
Canada East
2997 rue Watt
Ste-Foy, Quebec
G1X 3W1
Pierre Asselin, President

HEAD OFFICE

3280 Wharton Way
Mississauga, Ontario
L4X 2C5
Telephone: (905) 212-3300
Fax: (905) 212-3350

SHAREHOLDER INFORMATION

TRANSFER AGENT AND REGISTRAR

Registered shareholders having questions regarding change of address, estate transfers or lost certificates, should contact our transfer agent:
Computershare Trust Company of Canada
100 University Ave., 9th Floor
Toronto, ON M5J 2Y1
Telephone: (514) 982-7555 or 1-800-564-6253
Fax: (514) 982-7635
E-mail:
caregistryinfo@computershare.com

AUDITORS

KPMG LLP

STOCK LISTING

The Toronto Stock Exchange

TRADING SYMBOL

WJX

COMMON SHARE TRADING INFORMATION DURING 2001

Open	High	Low	Close	Volume of Shares Traded
$4.10	$6.00	$4.00	$4.66	3,581,664

QUARTERLY EARNINGS REPORTS

Quarterly earnings for the balance of 2002 are anticipated to be announced on May 7, August 13 and October 31.

INVESTOR INFORMATION

John Hamilton
Senior Vice President and
Chief Financial Officer
Telephone: (905) 212-3300
Fax: (905) 624-6020
E-mail: ir@wajax.com

To obtain a delayed stock quote, read news releases, listen to the latest analysts' conference call, and stay abreast of other company news, visit our web site at www.wajax.com.

ANNUAL MEETING

Shareholders are invited to attend the Annual Meeting of Wajax Limited, to be held in the Royal Bank Theatre of the Living Arts Centre, 4141 Living Arts Drive, Mississauga, Ontario, Canada, on Tuesday, May 7, 2002 at 11:00 a.m.

Vous pouvez obtenir la version française de ce rapport en écrivant à la Secrétaire, Wajax Limitée, 3280 Wharton Way, Mississauga (Ontario) L4X 2C5

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BRANCH LISTINGS

BRANCHES
- Mobile Equipment
- Industrial Equipment
- Diesel Engines

MOBILE EQUIPMENT

WAJAX INDUSTRIES LIMITED
EASTERN CANADA
Wabush, NF
Truro, NS
Dartmouth, NS
Moncton, NB
Fredericton, NB
Quebec City, QC
Chicoutimi, QC
St-Felicien, QC
Lachine, QC
Granby, QC
Ottawa, ON
Mississauga, ON
Milton, ON
London, ON
Windsor, ON
Lively (Sudbury), ON
Timmins, ON
Thunder Bay, ON

WAJAX INDUSTRIES LIMITED
WESTERN CANADA
Campbell River, BC
Nanaimo, BC
Terrace, BC
Prince George, BC
Kamloops, BC
Langley, BC
Sparwood, BC
Fort McMurray, AB
Grande Prairie, AB
Edmonton, AB (2)
Calgary, AB
Saskatoon, SK
Winnipeg, MB

PACIFIC NORTH EQUIPMENT
Portland, OR
Eugene, OR
Kent, WA
Chehalis, WA
Magadan, Russia

DIESEL ENGINES

WATEROUS DETROIT DIESEL-ALLISON
Medicine Hat, AB
Calgary, AB (2)
Red Deer, AB
Edmonton, AB
Grand Prairie, AB
Fort McMurray, AB
Fort St. John, BC

DETROIT DIESEL-ALLISON
CANADA EAST
Val D'Or, QC
Saint Nicephore, QC
Dorval, QC
Ste-Foy, QC
Dartmouth, NS
Mount Pearl, NF

INDUSTRIAL COMPONENTS

KINECOR
WESTERN REGION
Prince George, BC
Surrey, BC
Calgary, AB (2)
Nisku, AB
Edmonton, AB
Saskatoon, SK
Regina, SK
Yellowknife, NW

CENTRAL REGION
Winnipeg, MB
Flin Flon, MB
Thompson, MB
Concord, ON
Windsor, ON
Sudbury, ON
Sarnia, ON
Brampton, ON
Scarborough, ON
Stoney Creek, ON
Thunder Bay, ON
Marathon, ON
Longlac, ON
Sault St. Marie, ON
Kapuskasing, ON
North Bay, ON
Timmins, ON
Espanola, ON
Hearst, ON
Temiscaming, QC

EASTERN REGION
Wabush, NF
Corner Brook, NF
Mt. Pearl, NF
Charlottetown, PE
Sydney, NS
Port Hawkesbury, NS
Dartmouth, NS
New Glasgow, NS
Kentville, NS
Bathurst, NB
St. Laurent, QC (2)
Sept Iles, QC
Sherbrooke, QC
Thetford Mines, QC
Valleyfield, QC
Drummondville, QC
Granby, QC
Chicoutimi, QC
Trois Rivieres, QC
Tracy, QC
Longueuil, QC
Ville D'Anjou, QC
Quebec City, QC
Noranda, QC
Val D'Or, QC
Ottawa, ON

SPENCER INDUSTRIES
Kent, WA
Spokane, WA
Yakima, WA
Pasco, WA
Portland, OR
Ontario, CA
Modesto, CA
San Diego, CA
Salt Lake City, UT
Phoenix, AZ
Gillette, WY
Billings, MN
Boise, ID

*For a detailed listing of Wajax branches, go to www.wajax.com

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